



# Multifamily Tax Exemption Program



**Bellevue City Council Study Session**

November 13, 2017

# Affordable Housing Strategy

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## Action C-3

Update existing tax exemption programs for affordable housing to increase participation by developers of new housing



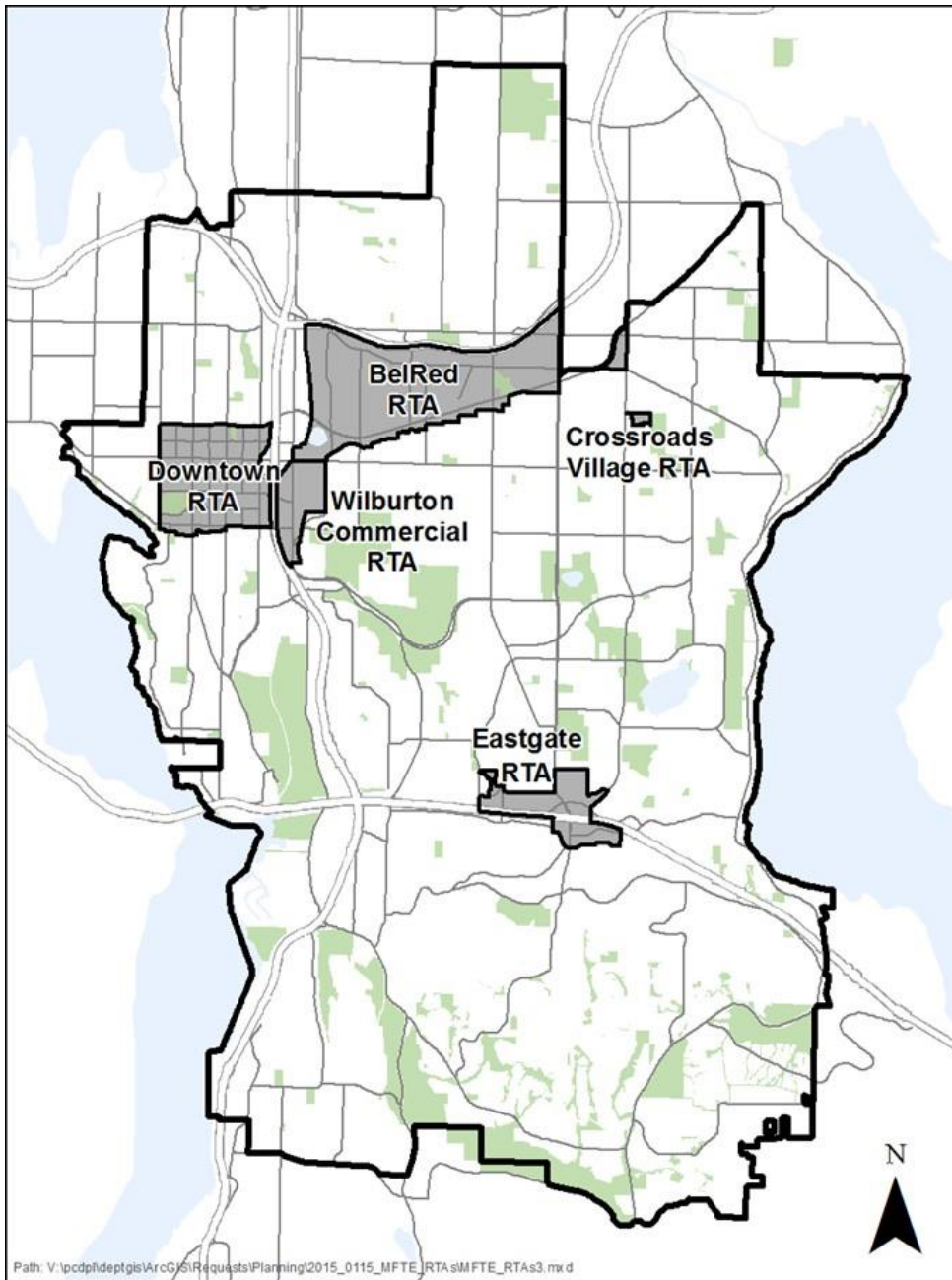


# MFTE Overview

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- Voluntary incentive
- 12-year property tax exemption on residential improvements
- Set aside 20% of units affordable to low- and moderate-income households





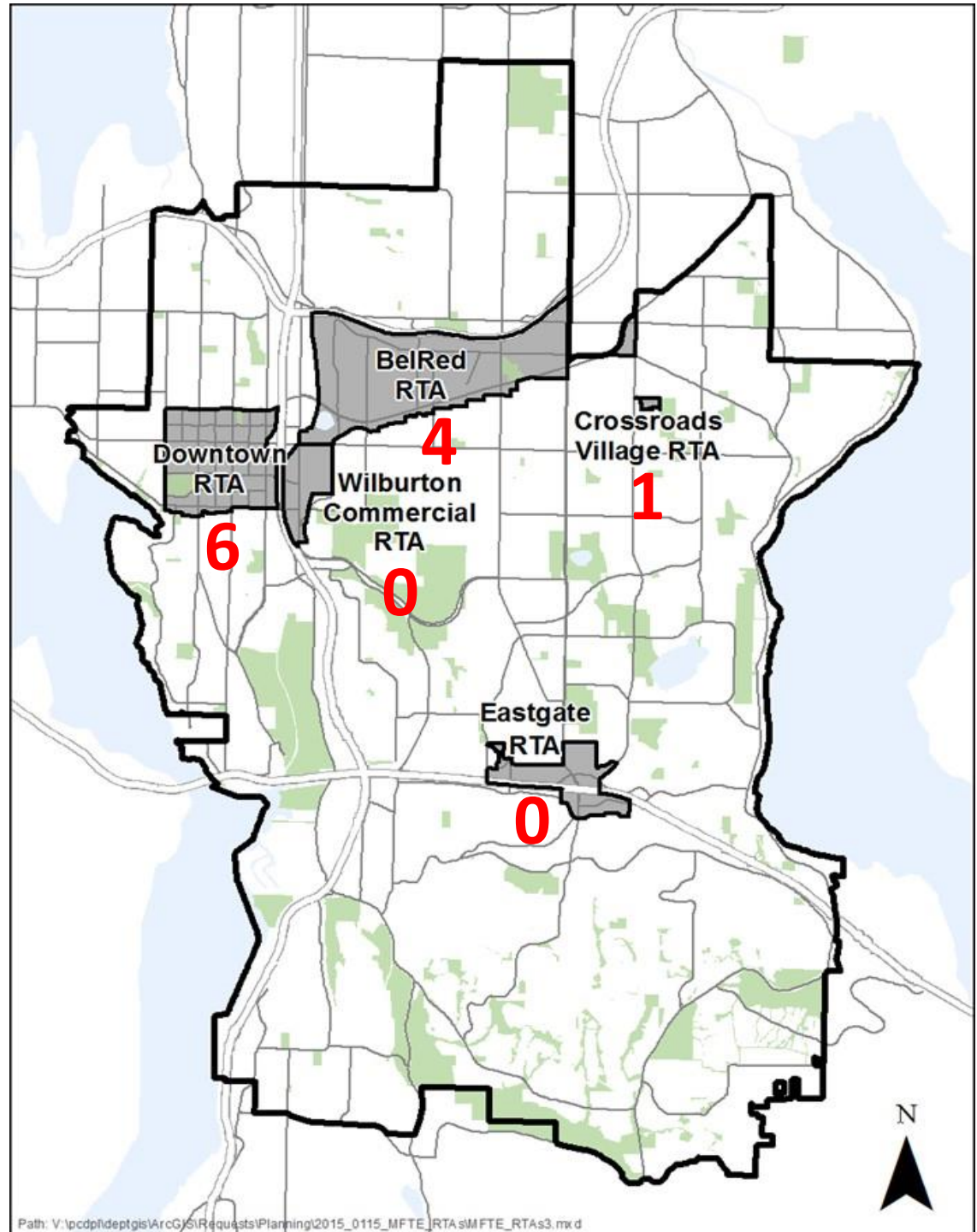
# Residential Target Areas

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# Multifamily permits

(June 2015 – present)

11 projects in  
Downtown, BelRed  
and Crossroads  
Village RTAs



# MFTE in other cities

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- Most successful where program has been in effect the longest
- MFTE performance in Bellevue comparable to other cities that have adopted recently





# Developer comments

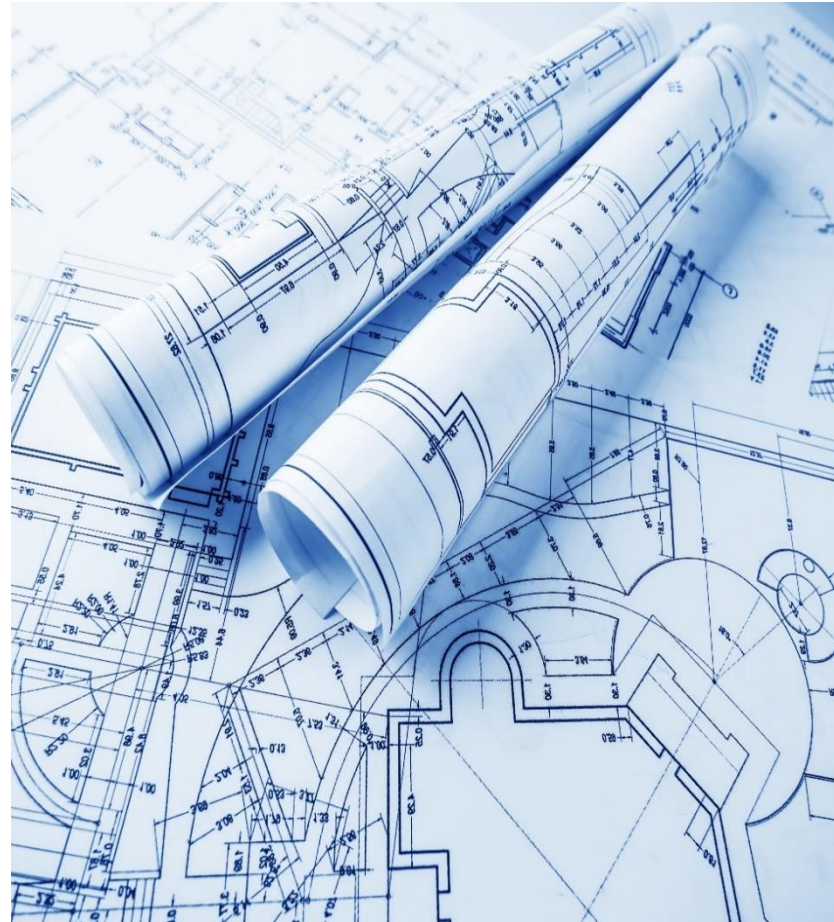
- Lack of familiarity with MFTE
- Interested if tax benefit would provide greater benefit than lost rents
- Question financial feasibility in Downtown



# Feasibility review assumptions

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- Mix and size of units
- Rents per square foot
- Value of property tax exemption
- Acceptable level of return: 110% – 130%
- Tested with downtown developers





# Return on MFTE participation

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	<b>BelRed</b>		<b>Downtown</b>	
	<i>Node</i>	<i>Outside Node</i>	<i>Current</i>	<i>Recommended</i>
<b>MFTE</b>	100-110%	100-110%	<100%	100-110%
<b>MFTE + land use incentive</b>	>130%	120-130%	110-120%	~130%

# Staff actions

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- Timely and clear information to developers
- Incorporate consideration into planning initiatives: BelRed, Wilburton, East Main
- Monitor and manage program



# Council direction requested

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- Amend MFTE requirement for affordable units in Downtown
  - 20% of units affordable to household incomes at 70% of median

